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SIPDIS

SENSITIVE

DEPARTMENT PLEASE PASS FOR TREASURY LUKAS KOELER  
MILLENNIUM CHALLENGE CORP. FOR ROD NORMAN  
COMMERCE FOR MARIA RIVERO  
USTR FOR LAURIE-ANN AGAMA

E.O. 12958: N/A

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SUBJECT: GHANA ECON HIGHLIGHTS AUGUST - SEPTEMBER 2005

1. (U) This report covers noteworthy economic events and activities in Ghana for August and September 2005. The issues covered are:

- ExxonMobil Exits Ghana, Thirteen other African Countries
- Visit of US Coast Guard Port Security Liaison Officers
- MCC gives \$3 million to Develop GoG Compact Proposal
- Ambassador's Farewell Call on Minister of Communications
- Ambassador's Farewell Call on Minister of Energy
- Fuel Price Increases

ExxonMobil Exits Ghana, Thirteen other African Countries

2. (SBU) ExxonMobil's Africa Retail Sales Director John Bell and Mobil Ghana Managing Director Sam Kareem made a courtesy call on CDA Lanier and EconOffs to announce the sale of ExxonMobil's 60 percent stake in Mobil Ghana, along with its interests in 13 other African countries, to Total. Bell said the sale was restricted to downstream, retail operations only. The deal includes ExxonMobil's downstream operations in Mauritius, Mozambique, Zimbabwe, Zambia, Malawi, Ethiopia, Djibouti, Eritrea, Togo, Chad, Sierra Leone, Liberia, Guinea, and Ghana. According to Bell, these operations generated about 20 percent of ExxonMobil's total retail revenue in Africa last year, with minimal profit: in 2003 they generated a profit of only USD 1 million, collectively. ExxonMobil will retain its retail operations in 12 other African countries.

3. (SBU) Bell explained that ExxonMobil had decided to sell based on lack of economies of scale and limited demand growth in these particular countries. He also said that crude price increases forced ExxonMobil to revise its growth expectations for Africa downwards. Bell felt this deal was good for Total as well, since the increased market share -- and access to Liberia and Sierra Leone -- would give it the economies of scale needed to be competitive and profitable in the affected countries. (NOTE: The deal, if approved, will give Total approximately 35 percent of the market in Ghana. END NOTE.) Bell also noted that this decision would have no impact on its upstream activities in Africa.

Visit of US Coast Guard Port Security Liaison Officers

4. (U) US Coast Guard Port Security Liaison Officers (CGPSLO) LT Patricia Springer and LCDR Tanya Schneider visited Accra August 23 - 26 to introduce Coast Guard's International Port Security Program. The program is designed to help implement and maintain the International Maritime Organization's International Ship and Port Facility Security (ISPS) Code through the sharing of best practices and international exchange. EconOffs, DATT, and CGPSLOs presented the program at Ghana's ports of Tema and Takoradi, and also to Minister of Ports Harbors and Railways, Christopher Ameyaw-Akumfi.

5. (U) Meetings at both ports were productive. GoG Security and Port Authority personnel gave frank assessments of the current level of ISPS Code implementation and challenges to future progress. CHPSLOs will coordinate with EconOffs and Port Authority personnel to arrange the visit of a Coast Guard assessment team to assess specific capacity building needs.

MCC gives \$3 million to Develop GoG Compact Proposal

6. (U) On August 11 Millennium Challenge Corporation (MCC) interim CEO Charles Sethness signed a grant agreement of up to \$3 million (of 609g funds) to assist Ghana in the continued development of a Millennium Challenge Account Compact. Ghana's Compact proposal aims to make Ghana a world-class exporter of high value fruit and vegetables through the creation of a strong investment climate. In order to achieve this the proposal recommends efforts to improve roads, irrigation, training and access to finance. Minister of Finance Kwadwo Baah-Wiredu signed on behalf of

the GoG. Ambassador Yates and Attorney General Ayikoi Otoo signed as witnesses. Vice President Alhadi Aliu Mahama presided over the ceremony.

#### Ambassador's Farewell Call on Minister of Communications

17. (SBU) During Ambassador Yates farewell call on Minister of Communications Albert Kan-Dapaah August 12, the Ambassador asked about the proposed settlement of the long-running Westel dispute. Kan-Dapaah explained that the parastatal Ghana National Petroleum Company (GNPC) had proposed to buy out Western Wireless International's (WWI) 70 percent stake in Westel for \$10 million, making GNPC the sole owner. Kan-Dapaah was "pretty certain" that the Ministry of Finance would make funds available for the purchase. (NOTE: GNPC never paid the WWI for its original 30 percent stake in Westel. Westel Managing Director Bill Taylor confirmed with EconOff in a telcon August 11, however, that WWI had agreed to sell its stake to GNPC if funds could be provided, thus ending the dispute. WWI had not received payment as of August 31. END NOTE.)

#### Ambassador's Farewell Call on Minister of Energy

19. (SBU) Ambassador Yates' made a farewell call on Minister of Energy, Prof. Mike Oquaye August 9. The Minister said the American oil company Amarada Hess was awarded a license for offshore exploration at least partially based on the Ambassador's letter July 28 to the Minister, adding that it was important to "consider a company's reputation and track record" when issuing government tenders.

110. (SBU) The Ambassador asked about recent media reports claiming the Valco aluminum smelter would reopen before the end of the year and how the Ministry of Energy planned to supply Valco's huge power needs, which are roughly one third of Ghana's total demand. The Minister confirmed that Valco would reopen soon and conceded that the strain on Ghana's power grid would be a "great burden on the nation" until the West Africa Gas Pipeline could be completed in late 2006 or early 2007.

111. (SBU) The Ambassador also asked about progress on the new oil refinery announced by Oquaye in March. The Ambassador said that Embassy Staff had not been able to find any information on the company slated to build the refinery, Arabian Gulf Oil Limited. The Minister said that he expected initial feasibility studies for the refinery from Gulf Oil before the end of August. He said that he knew little about Gulf Oil of Arabia, but added that it was important to "give unknown companies a chance."

#### Fuel Price Increases

112. (U) On August 8 Ghana's newly created National Petroleum Authority (NPA) announced fuel price increases for gasoline and diesel of 1.67 percent and 3.41 percent, respectively. Kerosene and LPG -- both used for cooking by many poor urbanites -- were reduced by 8.33 percent and 9.26 percent, respectively. The NPA was created by an act of Parliament--after the GoG raised fuel prices by 50 percent in February --to issue fuel tenders and regulate fuel prices. The NPA said the new prices were based on a weighted average of import prices and the ex-refinery price at the parastatal Tema Oil Refinery (TOR). (NOTE: The August 8 changes were based on crude prices significantly lower than current world prices. Post expects to see further changes reflecting the higher cost of new deliveries in the coming months. END NOTE.)

LANIER